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CENTRAL INTELLIGENCE AGENCY
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FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT
CD NO.

50X1-HUM

COUNTRY	Poland	DATE OF INFORMATION	1950
SUBJECT	Economic - Finance		
HOW PUBLISHED	Irregular newspaper	DATE DIST.	20 Nov 1950
WHERE PUBLISHED	Warsaw	NO. OF PAGES	5
DATE PUBLISHED	17 May 1950		
LANGUAGE	Polish	SUPPLEMENT TO REPORT NO.	

THIS IS UNEVALUATED INFORMATION

SOURCE Monitor Polski.

DEFINE BUDGETARY SYSTEM COVERING POLAND'S STATE ENTERPRISES

The resolution of the Council of Ministers defines the principles of financial organization and method of financing for state-owned enterprises, socialized cooperatives, and cooperative centrals covered by the central budget. The resolution does not cover enterprises covered by local budgets.

There are two classes of enterprises: (1) budgetary enterprises and (2) enterprises operating on the principle of interaccount settlements.

Budgetary System

Budgetary enterprises are those whose activities are of a nature requiring expenditures to be treated independently of income. Both expenditures and income of such enterprises are covered in the state budget. Under specified conditions, the income of budgetary enterprises may be treated as special extra-budgetary resources; such income must be deposited in a special bank account and expenditures debited against the account in accordance with the approved budget. Subsidiaries of budgetary enterprises may operate through interaccount settlements. The state budget also covers enterprises whose sole function is the management, coordination, and supervision of subsidiary enterprises and plants operating entirely by interaccount settlements, except when the expenditures of such enterprises are prorated among the subsidiaries as part of their operating costs, as in the case of the central administrations and their subsidiary associations.

Interaccount Settlements

Enterprises operating on the principle of interaccount settlements enjoy complete autonomy in carrying out plans and entering into contracts with other enterprises. They maintain full accounting records and render financial statements and reports. They have independent accounts with their financing bank and receive credits directly in accordance with the investment plan. Their accounts are debited and credited directly against appropriations in the budget.

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Each subsidiary factory of a multiplant enterprise operates on the principle of full or limited internal interaccount settlements. Subsidiaries operating through full internal interaccount settlements handle their finances in the same manner as independent enterprises operating on the interaccount settlement principle. Plants and departments or branches of enterprises and plants operating on the limited internal interaccount settlement principle, according to the detailed instructions or regulations, do not have all the rights enumerated in the foregoing paragraph.

Administrative costs of enterprises and plants shall be provided for in the budget subject to approval.

Detailed regulations on the financial organization of the enterprise and the system of interaccount settlements aim at the successive decentralization of industrial combines into enterprises consisting of one plant, except when individual plants are near one another and can easily be operated as one unit. Purchasing and selling agencies may be organized as a central office with regional branches, warehouses, and wholesale and retail outlets, all operating on a full system of interaccount settlements; or they may be organized as independent warehouses and wholesale or retail outlets.

Prices, Margins, and Service Charges

The basic types of prices are as follows: sales, purchase, warehouse, wholesale, retail, service, import, and export. Sales, purchase, warehouse, and retail prices, and prices for services, are covered by official price lists.

Sales prices are selling prices of manufacturers, purchase centers, and import houses. Manufacturers' sales prices cover the cost of production plus selling costs, turnover tax, and manufacturer's profit.

Sales prices on products handled by purchasing agencies and importing houses cover the purchase price, handling costs, profit, and adjustments for price differentials.

Purchase prices are prices at which purchasing agencies buy agricultural products, livestock, raw materials, and waste for processing.

Warehouse prices are selling prices of warehoused commodities, either wholesale or retail.

Prices for services cover the cost of the service plus the tax on operations and profit.

Import prices cover landed costs of commodities in foreign exchange converted into Polish currency at the official rate of exchange. If the importing agency pays freight under terms of the commercial contract, such costs are added to the purchase price.

Export prices cover selling prices of commodities in foreign exchange fob boundary or port, converted into zlotys at the official rate of exchange. If the importer pays the freight from the Polish border, such costs are deducted for purposes of arriving at the export selling price.

Prices of commodities set up for planning and accounting purposes form the basis of computing price differentials in a system of compensated pricing. They are determined under specific conditions on the basis of planned costs plus planned profits.

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Margins cover selling costs plus profit at each stage of distribution. Margins are computed individually for various commodity groups according to specific instructions. They may be expressed in the form of a percentage markup on the purchase price, or in the form of a discount from the retail list price, or as a fixed amount added to the purchase price or subtracted from the retail list price. The margin covers selling costs and profits of jobbers, wholesalers, and retailers.

Service charges cover operating costs, plus profits of import and export houses and purchasing agencies. For purchasing agencies, they are computed as a percentage of the sales price, for exports as a percentage of the export price, and for imports as a percentage of the sales price.

Under specific conditions, transportation costs may be added to state listed prices because of local conditions.

Settlement of Accounts

Enterprises engaged in production, purchasing, and importing sell merchandise directly to consignees at sales prices in accordance with list of firms authorized to purchase directly from manufacturers and, under certain conditions, in accordance with quantities which may be purchased directly from manufacturers.

Commercial jobbers, central stores of purchasing agencies, wholesalers, and retailers purchase commodities from manufacturing, purchasing, and importing firms at sales prices. They purchase from other enterprises at sales prices plus that portion of the margin which accrues to the seller in accordance with the following paragraph.

When commodities are sold by wholesalers to other wholesale distributors, the wholesale margin is divided between purchaser and seller in accordance with specific instructions.

Commercial jobbers sell consignees directly at warehouse prices. Wholesalers sell at wholesale prices, in accordance with lists of firms authorized to purchase from jobbers and wholesalers, and in accordance with allocations.

Central purchasing offices sell commodities at wholesale prices.

Retailers sell commodities at retail prices.

Detailed instructions define conditions under which manufacturers, jobbers, and importers may sell at wholesale or retail prices, and conditions under which wholesalers may sell at retail prices.

Exporters purchase commodities at sales prices and sell at export prices. Importers purchase at import prices and sell at sales prices.

Transactions between buyers and sellers are usually cleared via bank debits and credits, unless otherwise specified.

Consumption of intermediate products produced by a given enterprise is charged to the next production stage at the cost of production unless it is covered by the standard list of intermediates. In the case of standard intermediates, consumption is charged at the sales price. The sale of intermediates to other enterprises take place at sales prices. Plant consumption of finished products of a general or investment nature is charged at the sales prices.

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Turnover Tax and Tax on Operations

Enterprises pay a turnover tax on the sale of commodities and an operating tax on the sale of services. The turnover and operating taxes will be used to regulate profits accruing to the various branches of production and services according to plan. Bills governing tax problems will be introduced by the Minister of Finance.

Profits, Compensated Prices, Price Differentials, Compensatory Differentials

If the level of fixed sales prices provides an adequate profit margin for that branch of production as a whole, but involves considerable dispersion in the profit margin or even losses for individual enterprises, a system of compensated prices may be applied in individual cases in accordance with regulations.

The compensatory pricing system may also be applied when the general level of prices does not insure an adequate profit margin for the entire branch of production.

Under the compensatory system, two price scales are set up -- sales prices and planned accounting prices. Enterprises covered by the system compute the differences between the value of sales at sales prices and at planned accounting prices for a given period. Such differences are summed up by the next higher unit of authority in the industrial organization or by the marketing central, and are entered on a special account at the bank financing this branch of production. This deficit will be covered by the state budget.

If differences arise between planned and actual costs of transportation, such differences are charged or debited to the marketing central or higher authority.

In the case of differences between export prices and the purchase price plus export service charge such differences are charged or credited to the state budget. Differences between sales prices of imported commodities and landed /domestic?/ costs plus import service charges are debited or credited to the state budget. The same rule applies for differences between sales prices and costs covering purchase price plus service charges.

Distribution of Profits and Covering of Deficits

Profits are divided as follows: (1) factory fund, (2) additon to enterprise's working capital, and (3) balance paid into state budget this may not be less than 10 percent of the total profit.

The financial plan for the enterprise will specify the portion of profits to be added to working capital. This amount may not exceed planned profits less the 10 percent to be paid into the state budget and less the portion of planned profits assigned for the factory fund.

In exceptional cases, the state budget will provide appropriations to cover losses of enterprises whose operations are planned at a loss.

Working Capital

Working capital is covered by the enterprise's own fund or by fixed liabilities within established limits. Specific instructions cover cases where working capital is provided by other means. Additions to working capital to reach a specified limit or to keep step with increasing production are made from profits. If the allowable portion of profits added to working capital is not sufficient to cover planned requirements, the difference will be covered by the state budget under the heading "Financing of Working Capital." If the working capital of the enterprise exceeds established limits, the excess must be paid into the state budget under the heading "Surplus from Working Capital."

Amortization and Financing of Capital Maintenance

Part of the amortization fund (reserves for depreciation) of an enterprise is applied to the financing of capital maintenance and is defined as a fixed percentage of the entire amortization fund of the given enterprise. Within limits specified for a given branch of production, the authorities may set different rates for capital maintenance for various enterprises. Unused portions of the depreciation reserves assigned to capital maintenance are carried over to the following year, unless otherwise specified.

Investments of state enterprises which are provided for in the plan are financed as follows: (1) from the balance of the amortization fund after deduction for capital maintenance, (2) from appropriations covered by the state budget, and (3) from funds outside the limits set up by the budget. When depreciation reserves exceed planned investment requirements of the enterprise, the surplus is applied to the over-all state investment plan.

Conclusion

The above resolution becomes effective 1 January 1951. The Minister of Finance, in agreement with the Chairman of the State Economic Planning Commission and the Minister of National Defense, will issue instructions on the way in which the foregoing resolution is to be applied by enterprises and plants subject to the Minister of National Defense. The Minister of Finance, in agreement with the Chairman of the State Economic Planning Commission and the Minister of Internal Security, will issue instructions on the manner in which the foregoing resolution is to be applied by enterprises, and plants subject to the Minister of Internal Security.

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